

Home > About Us > Newsroom > Press Releases > 1998

McKesson to Acquire Kelly/Waldron and Kelly Waldron/SFA to Expand Marketing, Data Analysis and Sales Support Services for Pharmaceutical and Biotechnology Manufacturers

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Business Editors/Health & Medical Writers

SAN FRANCISCO--(BW HealthWire)--Dec. 21, 1998--McKesson Corporation (NYSE:MCK) announced today that it has entered into a definitive agreement to acquire Kelly/Waldron and Kelly Waldron/SFA.

Kelly/Waldron provides sales, data analysis and marketing information services to the pharmaceutical industry. Kelly Waldron/ SFA provides sales force automation systems and services for pharmaceutical sales forces.

Both companies are privately owned and are projected to have combined revenues of about \$25 million for the year ending Dec. 31, 1998, with projected growth rates of about 50 percent per year.

Kelly/Waldron offers a broad array of decision support, marketing research, data analysis and sales and marketing services which enable pharmaceutical and biotechnology manufacturers to more cost-effectively market their products to physicians, nurses, physician assistants, other medical professionals and consumers.

These services include return-on-investment studies of promotional activities, developing and implementing direct marketing programs, database processing and management, sales force detailing support and providing proprietary marketing list data. Kelly/Waldron is one of only ten licensees to the American Medical Association master database of all U.S. physicians.

Kelly Waldron/SFA sells and services a version of IMS HEALTH Strategic Technologies Inc.'s Cornerstone(TM) to pharmaceutical sales forces. Cornerstone is the most widely used sales force automation system, with more than 35,000 users worldwide.

Kelly Waldron/SFA also markets a handheld personal computer for use by pharmaceutical field forces for call and sample tracking, electronic signature capture, sample management and compliance.

Kelly Waldron/SFA also markets Dynastrat(R) a data mining software tool designed specifically for segmentation analysis, promotional activity impact, ROI measurement, physician targeting, forecasting and field sales force optimization and planning.

"These acquisitions further expand the scale and range of McKesson's service offerings to our pharmaceutical and biotechnology manufacturing partners," said Robert Glaser, president, McKesson Pharmaceutical Services Division, to whom the principals of Kelly/Waldron and Kelly Waldron/SFA each will report.

"They follow the recently completed acquisition of J. Knipper, and, like J. Knipper, will be integrated into our suite of solutions for our manufacturer partners which also includes services from McKesson Healthcare Delivery Systems and McKesson BioServices. Like these other businesses, Kelly/Waldron's customers include a number of the world's largest pharmaceutical companies.

"This customer base is a network from which we can leverage relationships to cross-sell complementary products and services. The addition of Kelly/Waldron and Kelly Waldron/SFA also will support the development of new initiatives such as our direct-to-consumer support services and patient registries."

"In addition, the Kelly/Waldron product offering will be further enhanced by the linkage of data resulting from the pending McKesson HBOC merger," Glaser continued. "We will be in a position to provide compelling data to assist our manufacturing partners in developing and executing outcome studies, Phase IV trials and other cost-effectiveness programs to improve manufacturer market share and clinical outcomes."

Terms of the transactions were not disclosed. Closing is expected in McKesson's fourth fiscal quarter ending Mar. 31, 1999, subject to the expiration or earlier termination of the waiting period under the Hart-Scott-Rodino Act and other customary conditions.

The acquisition will be accounted for as a pooling of interests, and is anticipated to be non-dilutive in the current fiscal year before one-time charges, cost savings and synergies.

The McKesson Pharmaceutical Services Division includes McKesson Healthcare Delivery Systems, J. Knipper and McKesson BioServices. McKesson Healthcare Delivery Systems is a leading supplier of marketing support programs, reimbursement services, patient assistance programs and specialty distribution systems to pharmaceutical, biotechnology and medical device manufacturers based on its expertise in advanced health care information technology and world-class customer service.

J. Knipper provides the health care industry with salesforce distribution services, database development, response processing, priority recall services, sample fulfillment and direct-to-consumer (DTC) and direct-to-patient (DTP) communications support.

McKesson BioServices provides biomedical support services to the pharmaceutical and biotechnology

industries, U.S. government, universities and institutions, and contract research organizations. Pharmaceutical Services manufacturer programs include Patient Care Enhancing Programs(SM) a series of patient programs designed to ensure patient compliance with appropriate pharmaceutical therapy.

On Oct. 18, 1998, McKesson and HBO & Company (Nasdaq:HBOC), the nation's leading healthcare information company, announced that the two companies had signed an agreement for McKesson to acquire HBOC, creating the first comprehensive healthcare supply management and information solutions company.

Terms of the merger call for each HBOC shareholder to receive 0.37 shares of McKesson common stock for each share of HBOC stock in a tax-free exchange. The waiting period has expired under the Hart-Scott-Rodino Antitrust Improvement Acts of 1976 for their proposed merger.

As a result, the two companies are free to complete their merger, subject to the approvals of McKesson and HBOC stockholders at meetings scheduled for Jan. 12, 1999, and the satisfaction or waiver of certain other customary closing conditions. The merger will be accounted for as a pooling of interests.

McKesson Corporation, a Fortune 100 company, is the leading health care supply management company in North America through its U.S. Health Care businesses; its Canadian subsidiary, Medis Health and Pharmaceutical Services; and its interest in Nadro of Mexico.

The company also owns McKesson Water Products, one of the nation's largest providers of bottled drinking water. More information about McKesson can be obtained on the World Wide Web at: <http://www.mckesson.com>.

Except for the historical information contained herein, the matters discussed in this press release may constitute forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected. These statements may be identified by their use of forward-looking terminology such as "believes," "expects," "may," "should," "intends," "plans," "estimates," "anticipates" and similar words. Risks and uncertainties include the speed of integration of acquired businesses, the impact of continued competitive pressures, success of strategic initiatives, implementation of new technologies, continued industry consolidation, changes in customer mix, changes in pharmaceutical manufacturers' pricing and distribution policy, the changing U.S. health care environment and other factors discussed from time to time in the Company's reports filed with the Securities and Exchange Commission. The Company assumes no obligation to update information contained in this release.

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